

DDI-1823-69

~~SECRET~~

25 JUN 1969

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : Ambassador Korry's Criticism of OER's Work on Chile

1. The attached letter from Ambassador Korry is in response to my transmission to him of our detailed reports on Chile and to the visit of our senior Latin American economist to Chile (copy attached). As usual, Ambassador Korry's comments are inaccurate and intemperate. I bring them to your attention only because copies have gone to Assistant Secretary Charles Meyer and to Tom Hughes. Unless you so direct, I do not intend to respond to Ambassador Korry.

2. We do not believe the facts support his charge that our report, "The Chilean Economy: Trends Under Frei and Prospects for 1969-70," is "biased" and "tendentious," and that we were unwilling to listen to other points of view during its preparation. The report is, in augmented form, the OER contribution to NIE 94-68: Chile. The NIE was thoroughly debated by the USIB representatives before the Board of National Estimates and no specific differences emerged until State took a footnote to the estimate on the grounds that it gave too pessimistic an impression of the Chilean situation. You will recall that Ambassador Korry wrote a lengthy critique of the NIE, including a large number of specific criticisms of the economic part. We prepared a detailed rebuttal of Korry's points which was sent to the Director as an attachment to Hugh Cunningham's memorandum and which we passed informally to a few working level analysts in CIA, and in State and DIA.

3. In preparing the memorandum for formal publication we leaned over backward to make certain that all important positive aspects of the Chilean scene were properly covered and that the paper was as well balanced as possible. State reporting from Santiago has varied widely in tone, ranging from highly optimistic when Korry was evaluating the year's achievements to very pessimistic when he was trying to justify some part of the aid program.

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4. The allegation that [REDACTED] was unwilling to discuss the Embassy's objections to our memorandum during his trip to

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Santiago in early May is simply untrue. Vern visited several countries during his trip but had set aside three work days plus a weekend in Santiago in the hope of having productive discussions with Korry and his staff. Korry and Weintraub, the number one economist, were away. Vern did talk with John Sprott, Chief of the Embassy Economic Section, for about one and a half hours but Mr. Sprott apparently was unwilling to go very deeply into the issues. He had not read our memorandum prior to [REDACTED] arrival, although he did read it before their discussion. Moreover, Vern gained the distinct impression that the Embassy staff did not particularly want to exchange views with us and was afraid of giving their honest opinions because of Korry's domination.

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5. Unfortunately, [REDACTED] did tell Sprott that we had written an informal rebuttal of Korry's critique of the NIE, although he does not remember doing so. In any event, in the OER reports which I forwarded to him, the Ambassador received our fully analyzed response to his position. Hence, his comment that he has not received a copy of our rebuttal is technically correct but factually wrong.

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[REDACTED]  
EDWARD L. ALLEN  
Director  
Economic Research

Attachments: (2)

1. Amb. E. M. Korry's letter to  
E. L. Allen, dated 13 Jun 69
2. E. L. Allen's letter to Amb.  
Korry, dated 17 Apr 69